

# THE CHANGES OF KOREAN APPRAISAL MARKET

*Sangho LEE, Korea*

## ABSTRACT

Korean real estate prices have traditionally demonstrated a high rate of increase since 1960's. However, after the currency crisis, the real estate market experienced a deep recession. To overcome the impacts of such crisis, a number of programs have, are being and will be adopted by the government to rehabilitate the national economy. Appraisal market has also been forced to go with the stream and to reshape its system.

The government set up Korea Appraisal Board (KAB) to meet the appraisal demands for real estate in 1969. Now, there are KAB 27 private appraisal corporations in Korea. The scale of appraisal market tends to be enlarging every year. In a superficial view, the Korean appraisal market seems to be stable, But it is expected to shrink because of the reduction of the appraisal demand. Appraisers are asked to open up new market to surmount this hardship.

Recently, we have diverse tries to catch up with the advanced foreign appraisal standards and the market needs. The Korean market is experiencing in its concept of real estate. Breaking the traditional concept that real estate is something to hold on to, Koreans are beginning to think of it as something to use. Asset securitization will accelerate this change. When asset evaluation is applied to real estate, which is necessary to issue ABS, it causes real estate prices to form at a more reasonable level and bubbles in current prices are removed. The income capitalization method will be the most likely acceptable method to estimate the values of properties.

The problems awaiting solutions are to hold a dominant position through developing the advanced appraisal method and to open up a new appraisal market.

It needs to introduce the practical business guidance book such as USPAP in USA which includes "Code of Conduction" for appraisers to keep. We should establish the network of appraisal system. For the first step, we should systematically collect and share appraisal precedents scattered all over appraisal market. The next, secure diverse and ample market data related to appraisal not only macroscopic but also microscopic. By building up the network, appraisers could expand their business to include many other service sectors typically represented by other professionals containing appraisal and valuation services.

Indeed, the most important factor for appraisal becomes the productivity of properties they will generate. We should find out the best way to draw the productivity of properties from the market data. Getting the advantage of recent trends, we should find out a so-called niche market of real estate industry.

As the Korean economy is expected to continue to register a low growth rate due to the recent economic crisis, no more sharp increases in real estate prices are anticipated. Therefore, sudden price increases and consequent speculations are of no future concern. But the demand for appraisal has been changing rapidly. We will prepare to accumulate

all the market data related to real estate to adopt the advanced valuation standards. Considering our important role and the new business opportunities in a dynamic society, we should say that the time has come for appraisers to be on the lookout for new opportunities and opportunities for development.

## **CONTACT**

Sangho Lee  
Researcher  
Korea Appraisal Board (KAB)  
Appraisal Research & Development  
171-2 Samsung Dong  
Kangnam Gu  
Seoul  
KOREA  
Tel. + 82 2 555 1174  
Fax + 82 2 561 0934  
E-mail: sangho@kab.co.kr